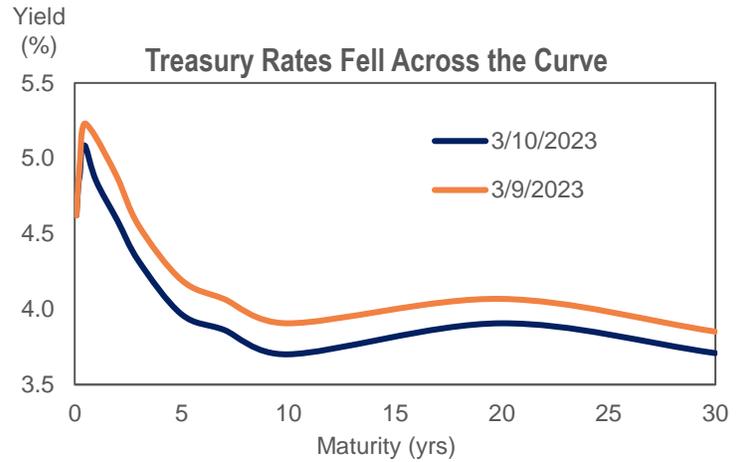


MARKET NEWS – SILICON VALLEY BANK

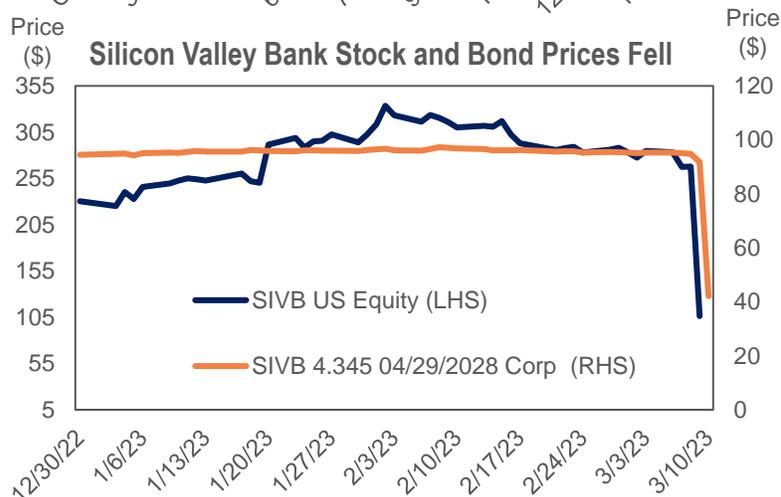
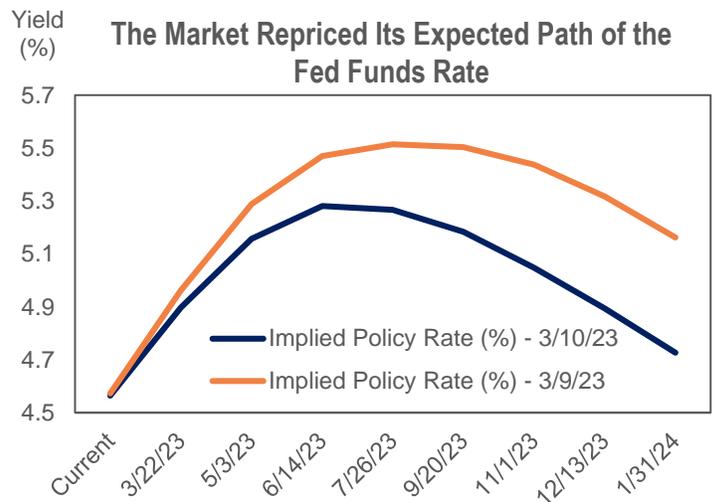
- On Friday, March 10, 2023, Silicon Valley Bank (SIVB), the nation's 16th largest bank, collapsed just days after executing emergency maneuvers in response to withdrawals and a sharp decline in its investment portfolio. It is the second-largest bank failure in US history after Washington Mutual's financial crisis demise in 2008.
- SIVB's parent company, SVB Financial Group, had been attempting to find a buyer after forgoing a planned share sale on Friday morning. The Federal Deposit Insurance Group (FDIC) immediately took control of the bank under the newly created Deposit Insurance National Bank of Santa Clara. SIVB's \$175 billion in customer deposits are now held at this new entity.
- SIVB's failure may be attributed to rising interest rates and the increasing cash needs of its concentrated customer base, which was largely comprised of technology start-ups. SIVB had been losing deposits at an accelerated rate versus that of its US banking peers.
- Financial contagion fears spread throughout the banking sector, prompting Treasury Secretary Janet Yellen to publicly reassure investors that the banking system was intact.
- At IR+M, we believe that SIVB's collapse underscores the importance of robust credit research, which helps investors navigate market turmoil and avoid weaker issuers. With the exception of a very small inherited position, IR+M has never owned SIVB.

MARKET REACTION

- Markets were pressured today, with domestic equity indices decreasing by over 1%, as news spread of the potential issues at SIVB; eventually it was announced regulators closed the bank.
- Interest rates were lower across the curve today as investors favored safe-haven assets. Rate moves over the past two days have largely unwound the Federal Reserve's (Fed) recent work of leading investors away from the hopes of a monetary policy pivot.
- Investors reassessed the likely path of the fed funds rate given the fear of broader contagion.
 - The expected terminal fed funds rate moved lower day-over-day from 5.52% in July 2023 to 5.28% in June 2023.
- Although some market weakness was felt across credit markets, it was largely limited; investment-grade and high-yield corporate spreads were roughly 5-10bps and 20-25bps wider on the day, respectively.



Maturity	2-year	5-year	10-year	20-year	30-year
3/10/2023	4.59	3.97	3.70	3.91	3.71
DoD Change	-0.28	-0.23	-0.21	-0.16	-0.14



As of: 3/10/23. Sources: Bloomberg and IR+M. Spread moves are estimates based on IR+M's market observations in the market on 3/10/23. Silicon Valley Bank highlighted due to presence in the news on 3/10/23. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.